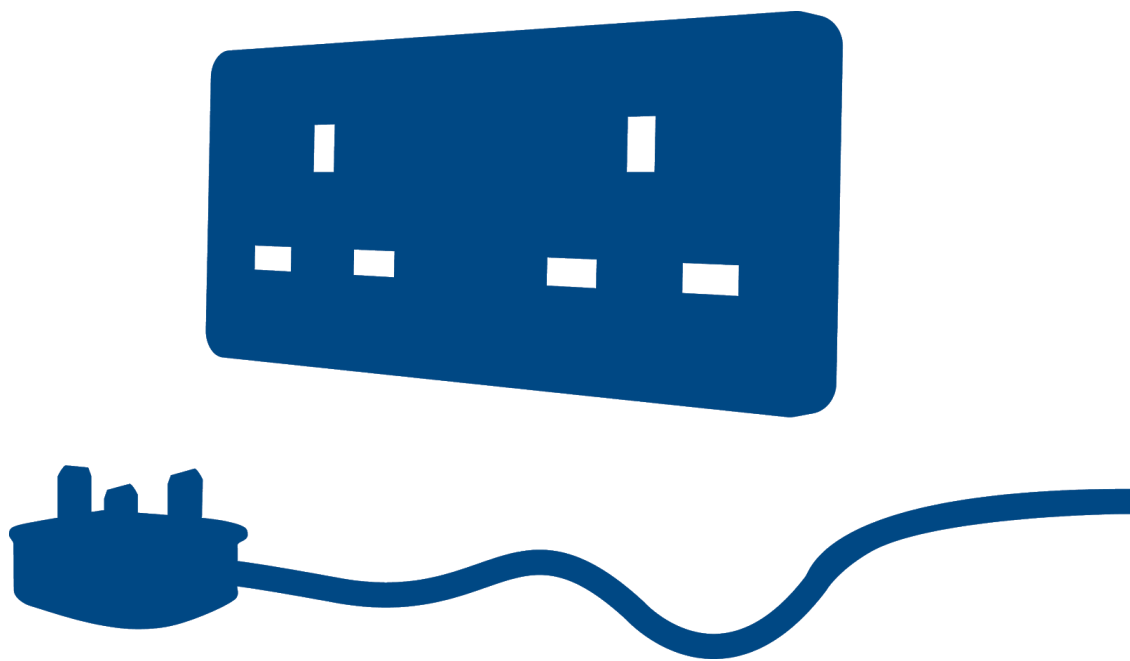


Supporting microbusiness consumers

Good Practice Guide

June 2020



**citizens
advice**

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Introduction

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. We are the statutory representative for domestic and microbusiness energy consumers across Great Britain.

Our good practice guides are designed to help energy suppliers and other stakeholders improve the support provided to their customers.

This guide is based on insight from our consumer service and Extra Help Unit, our commissioned research about the communication preferences of microbusinesses and interviews with 13 energy market stakeholders. This included representatives from 8 energy suppliers of varying sizes and business models as well as Business Debtline,¹ a third party intermediary (TPI), and 3 other organisations related to the microbusiness energy market, including the provider of the independent code for brokers and the Federation of Small Businesses. We would like to thank all interviewees for their time and expertise.

What is a microbusiness?

Microbusinesses generally have 1 to 10 employees, with larger microbusinesses having more than 5 employees.

- Medium SME (10-49)
- Large microbusiness (5-9)
- Small microbusiness (1-4)

Ofgem protection

Microbusinesses have particular protections under the energy supply licence regime. They are defined as non-domestic sites which meet at least one of the following criteria:

- Fewer than 10 employees (or their FTE) and an annual turnover or balance sheet no greater than €2 million.
- Using no more than 100,000kWh of electricity per year.
- Using no more than 293,000kWh of gas per year.

Key recommendations

Citizens Advice published [Closing the protection gap](#) in October 2019, which outlined how Ofgem and the government could improve protections for microbusinesses around debt and disconnection, vulnerability and TPIs. Our [Stuck in the middle](#) report in March 2020, set out how to regulate TPIs and provide improved protection for households and microbusinesses. Ofgem’s

¹ Business Debtline is run by national charity the Money Advice Trust.

microbusiness strategic review and the BEIS/Ofgem Future Energy Retail Market Review must address these protection gaps.

All the recommendations in this guide can be implemented voluntarily and will help reduce detriment faced by microbusinesses.

Debt and disconnection

- Identify debt early and act quickly
- Communicate effectively and offer support
- Work collaboratively with specialist third parties
- Offer affordable repayment plans
- Take all available steps to make contact
- Avoid high fees associated with disconnection and reconnection

Mixed-use properties

- Take all reasonable steps to understand occupancy
- Offer the same protections against disconnection as a domestic consumer

Third party intermediaries (TPIs)

- Ensure TPIs adhere to clear standards of conduct
- Implement robust audit regimes to monitor TPI behaviour
- Ensure that customers understand their supply contract

Vulnerability

- Implement effective signposting for vulnerable consumers
- Consider providing extra debt support and protections from disconnection

Debt and disconnection

The most common problems dealt with by the Extra Help Unit (EHU) relate to debt and disconnection. These issues also frequently occur in consumer service cases. In our report looking at the protection gaps in the microbusiness energy market, we analysed data from our consumer service. During the period of June 2018 to May 2019, the consumer service saw 189 unique cases where a debt amount was stated in the case notes. This showed an average debt value of over

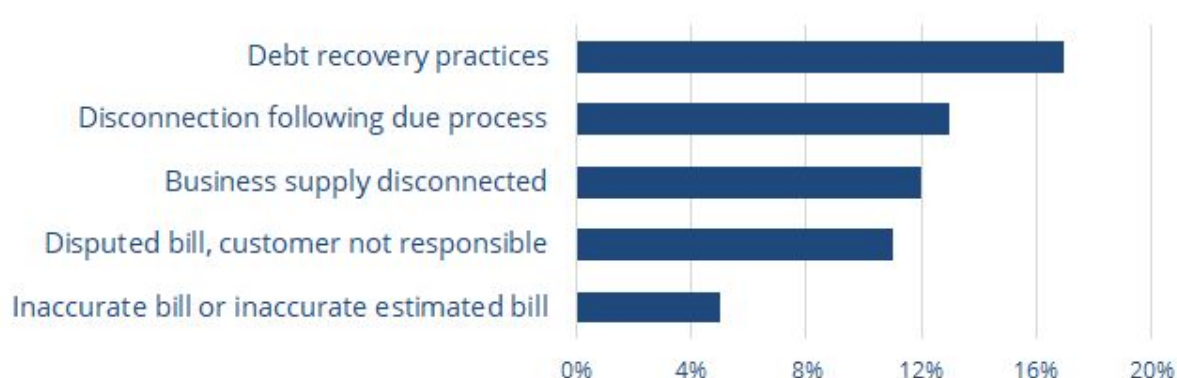
£8,500 and a total debt value of over £1.5 million.² This is only from the cases where the consumer mentioned the debt value on the call.³

When compared to the domestic market, microbusinesses have relatively few protections when it comes to debt and disconnection. Therefore, it is crucial that suppliers follow good practice to minimise detriment to this group.

Disconnecting a microbusiness increases the chances of the business failing, ultimately making it harder for any debt to be repaid.

Top 5 issues for the Extra Help Unit

Out of 56 issue categories



EHU cases April 2019-March 2020, total of 764 cases

Top 5 issues for the consumer service

Out of 89 issue categories



Consumer service cases April 2019-March 2020, total of 6,314 cases

² [Closing the protection gap. Citizens Advice, 2019](#)

³ These debt levels are self-reported by consumers and aren't verified by call handlers (for example by checking bills)

Identify debt early and act quickly

Ideally, steps are taken to prevent a consumer from getting into debt in the first place. Suppliers making mistakes - like billing problems - can result in an energy debt. Microbusinesses are protected from back bills of more than a year in most cases. But they can still face catch-up bills of thousands of pounds even though they are not at fault. We see cases of consumers being billed incorrectly, facing a large catch-up bill which they can't afford, and then being threatened with disconnection.

Suppliers need to ensure that their microbusiness customers receive timely and accurate bills so they can manage their costs effectively. One advice agency we spoke to said that many debt cases they saw involved billing errors or miscommunication earlier in the debt journey.

Different microbusinesses will have different needs. We saw evidence across the interviews that suppliers do consider the specific needs of customers, but this is something that could be done more. This could include: sending more frequent bills where a business has a fluctuating usage, or including details of annual consumption for reference. A good bill will be clearly laid out and accessible.

Similarly, when a smart meter is installed, if a consumer has been billed inaccurately or via estimates for a long period of time, they may receive a large catch up bill. This can cause significant problems for microbusiness, so suppliers must communicate clearly with customers around the impact of having a smart meter.

Suppliers should clearly communicate the benefits of smart meters to their customers, but also explain that smart meter installation can cause large catch up bills if they have been being billed via estimates previously. The supplier can also check the accuracy of the customer's previous bills (e.g. whether they had been estimated and/or if a debt was building up), in order to predict the impact to the customer of having a smart meter installed.

When a microbusiness consumer does get into debt, suppliers should take swift action to prevent it becoming unmanageable. We discuss some of the actions that can be taken below.

Communicate effectively and offer support

Microbusiness consumers are often busy considering all of the aspects of running a business and energy is unlikely to be their highest priority. Energy can be seen as an 'invisible' utility, especially when paying by direct debit.⁴

There may be an expectation by some consumers of similar rights and protections as in the domestic market (such as a cooling off period). Therefore, suppliers must set out straight away how microbusiness consumer's rights and protections differ, particularly in relation to debt and disconnection. This must be clear in the terms and conditions, and the key points of these should be communicated clearly at the start of the contract. Some suppliers that we spoke to said that they already do this. As discussed elsewhere in the guide, suppliers will also need to ensure that TPI's they work with make this information clear during the sales process.

In cases of debt, it is essential that a dialogue between the supplier and customer is opened up as early as possible and maintained. Many suppliers that we spoke to emphasised that they try to engage customers straight away, through a variety of contact methods. This can include (but is not limited to): emails, letters, phone calls, text messages, and home visits. If a customer has expressed a preference in how they are contacted, suppliers should use this method where possible, particularly when they are vulnerable.

Suppliers need to think carefully about their communications. Recommendations from our recent report⁴ include keeping information short and presenting key information up front. Messages should be personalised where possible, with careful consideration around the tone - constructive and positive framing is more likely to succeed. There should be a strong call to action, and customers must understand the consequences of not engaging. However, suppliers must be careful not to scare customers so that they take no action. It should be clear what support is available, and what actions customers can take to address their debt.⁴

Work collaboratively with specialist third parties

Specialist organisations can help consumers with a range of needs. Most of the suppliers we interviewed said that they do signpost to Citizens Advice and Business Debtline, where customers can be referred for wider debt advice. However, we know that the people who contact us and Business Debtline would

⁴ [Getting through to business. Citizens Advice. 2020](#)

often have benefitted from far earlier engagement. Therefore it is important to signpost as early as possible.

Suppliers should ensure that they are signposting clearly on all communications (letters, bills, website), and certainly on debt letters. Evidence from our recent research suggests that respondents may fail to notice signposting on bills and communications⁵, which suggests that suppliers need to think more about how to make this information prominent. Our signposting good practice guide contains general information which suppliers may find useful.⁶

Advisers should also be trained to refer customers who need support to relevant organisations. Many suppliers we spoke to have partnerships with advice agencies like Business Debtline. Assurance should be provided to customers that advice will be impartial.

Organisations such as Business Debtline can be key to securing repayment of the current debt and ensuring their customers are able to run a sustainable business. And a sustainable business is ultimately more likely to pay their energy bills. Some suppliers we spoke to said that they routinely refer customers to Business Debtline in order to help them to develop a realistic payment plan. It is crucial that microbusiness customers are referred early on, where an intervention is likely to be far more effective.

Offer affordable repayment plans

Most of the suppliers we spoke to emphasised that they would only consider disconnection after they had looked at all other possible options. We think that this is the correct approach. Preventing disconnection depends on suppliers offering realistic, affordable payment plans, paid at regular intervals. Consumers in debt are unlikely to be able to make excessive upfront payments, so suppliers should avoid requesting these where possible. Below are 2 case studies where the suppliers did not offer affordable or realistic repayment options.

Case study - consumer service (December 2019)

The consumer owns a small business. The consumer and their supplier have been involved in a dispute over their bill, and yesterday the consumer received a letter threatening disconnection. Although the consumer has set up a direct debit the supplier has already disconnected their supply. The consumer has offered to set up a payment plan of £1,000 a week, which the supplier has

⁵ [Getting through to business. Citizens Advice, 2020](#)

⁶ [Complaints signposting guide. Citizens Advice, 2020](#)

refused. Instead the supplier is saying that the consumer must pay the debt of £14,000 in order to reconnect the supply, and they are also demanding a £3,000 deposit. The consumer is unable to afford this.

Case Study - Extra Help Unit (April 2018)

The consumer contacted the EHU when their takeaway was disconnected. A debt of around £3,000 had developed due to no payments. The consumer said that they weren't receiving bills. The consumer offered to make an upfront payment of £1,000 but the supplier refused. The supplier asked for the full balance, plus a security deposit (£2,500), a disconnection fee (£450) and a reconnection fee (£120). This all had to be paid before reconnection would be considered. The consumer could not afford this and the supply remained disconnected.

A realistic payment plan is based on a microbusiness customers' specific circumstances. This will consider factors like: the size of a customer's energy debt, their income, and other debts or expenses. As in the domestic market, suppliers should provide flexible support with managing debts.⁷

It is not always easy for consumers to discuss these issues. Therefore, referring them to organisations like Business Debtline early can help them to discuss their expenses, and assist them in coming up with a realistic repayment proposal.

In certain circumstances prepayment meters can be considered as an alternative debt management strategy, to help customers pay their ongoing usage and debts and to avoid disconnection. We know that this is not possible for all meter types. However, we spoke to 2 suppliers which offer prepayment meters for microbusinesses in some circumstances, with others exploring this option.

Some suppliers operate a hardship fund. Considerations on whether to refer to a hardship fund often include an assessment of a business' viability and payment record, and are sometimes contingent on them paying for their ongoing usage for a few months. Several suppliers we spoke to said that their staff are trained to look out for potential hardship and to make referrals to these schemes.

⁷ [How energy suppliers can signpost and refer vulnerable consumers to the right source of help. Citizens Advice, 2020](#)

Take all available steps to make contact

Most suppliers we spoke to said they would always conduct a pre-disconnection visit if they have been unable to contact a microbusiness consumer via other means. We think that this is essential, particularly as pre-disconnection visits can be used to understand whether a domestic consumer is also using the supply. Some suppliers also said that they use pre-disconnection visits to identify on-site vulnerability. If a domestic consumer is present, the supplier should not proceed with the disconnection. One supplier we spoke to also said they use pre-disconnection visits as an opportunity to reach a final agreement with a customer.

Where a smart meter is involved, suppliers can disconnect the supply remotely. However, some suppliers we spoke to said that even if the customer had a smart meter, they would still conduct a pre-disconnection visit if they were unable to contact the customer via other means. We think that in all cases, suppliers should not disconnect without first making contact with the customer.

Avoid high fees associated with disconnection

Consumers can often be hit by high disconnection and reconnection fees. These fees can make it extremely difficult or impossible for microbusinesses to get back on their feet. The key focus here should be ensuring the customer does not go back into debt. Many suppliers we spoke to said that any disconnection or reconnection fees they charged were only to cover their costs. We think this approach should be adopted by all suppliers.

Mixed-use properties

While most people who run a business from their home are likely to be on a domestic contract, some small microbusinesses occupy buildings which are primarily non-domestic but have a domestic component. It is crucial that these consumers' specific needs are considered, particularly in relation to debt and disconnection. It's also important to be aware of any potential on-site vulnerability which could be more likely in these cases.

Take all reasonable steps to understand occupancy

It is not always immediately apparent that a consumer on a non-domestic contract is living in a mixed-use property. In some instances this is because non-domestic consumers are not aware of how domestic and non-domestic protections differ. Therefore, it is crucial to make these differences clear straight away, particularly in relation to debt and disconnection. This should happen before contracts are signed. Brokers and TPIs should also make this clear to customers, with suppliers ensuring that they are doing so.

Suppliers should take the necessary steps to identify whether a domestic consumer is living at a property. Some suppliers we spoke to said that they use key touchpoints (sales, debt discussions, metering appointments) to understand occupancy. Brokers, TPIs and suppliers should identify domestic consumers during the sales process and before contracts are signed, sharing this information where relevant.

All staff need to receive training to help them understand the additional complexities involved when dealing with these types of metering arrangements. Customer-facing staff and those specialising in debt should receive enhanced training to help them understand how to provide appropriate support to household energy consumers. In cases of debt, some suppliers we spoke to said that their staff are trained to use pre-disconnection visits to identify whether a domestic consumer is living at the premises.

Offer the same protections against disconnection as a domestic consumer

Anyone who lives in a mixed-use premises should receive the same protection from disconnection as a domestic consumer, regardless of whether they are on a domestic or microbusiness contract. Encouragingly, many of the suppliers we interviewed said that they already adopt this approach.

Domestic suppliers must follow a number of steps to avoid disconnection, which should apply to mixed-use properties. This includes offering customers an affordable repayment plan and, where possible, a prepayment meter. Another possible option may be to split the customer's supply, so that they have one meter for the domestic residence and another for the non-domestic premise. Most suppliers we spoke to were not opposed in principle to this option. It

would though need to be agreed with the customer, and would incur a cost. However, suppliers could recover these costs, post installation, through a repayment plan.

Working effectively with third party intermediaries (TPIs)

Third party intermediaries, including switching sites, brokers, and energy consultants, are commonly used for selling energy contracts in the non-domestic sector. An estimated one third of contracts in the SME and microbusiness sector are negotiated by TPIs each year.⁸ Microbusinesses often lack the time and confidence to engage with the energy market directly and rely on the services of TPIs to find the best deal for their needs.⁹

Many TPIs provide a useful service, however the consumer service and the EHU receive calls where poor practice causes detriment to microbusiness consumers. This includes:

- consumers being pressured into agreeing contracts;
- limited transparency about fees and who pays these;
- misrepresentation of the broker's market coverage.

TPIs, unlike suppliers, are not directly regulated by Ofgem, which can lead to detriment for microbusiness consumers, who do not have the same level of consumer protections as domestic consumers.¹⁰ When microbusinesses enter into contracts that are not suitable, this can lead to problems like debt and disconnection. Below is a case study from our consumer service which illustrates the impact of poor TPI practice.

Case study - consumer service - December 2019

The consumer owns a beauty shop. Soon after opening the shop, they received a phone call. The consumer was unsure if it was a call from an energy supplier or broker. The agent provided a quote stating that costs would be £35 per month. However, 2 weeks after the consumer switched they received a bill from the new energy supplier for over £250.

⁸ [The Role of Third Party Intermediaries \(TPIs\) in the GB SME and Microbusiness Energy Supply Sector, Citizens Advice, 2019](#)

⁹ [Closing the protection gap, Citizens Advice, 2019](#)

¹⁰ [Stuck in the Middle, Citizens Advice, 2020](#)

The consumer spoke to the supplier and cited the quote from the agent but the supplier disputed that offer. The consumer requested a copy of the call and was told that the supplier would call back, but this did not happen. After 3 weeks the consumer received a further bill for over £250. The consumer has received another offer from a different supplier, but will have to pay over £1,000 in order to exit the original contract. The consumer has not received a copy of the terms and conditions for their contract.

Ensure TPIs adhere to clear standards of conduct

Any supplier working with TPIs must ensure that their agents adhere to clear standards of conduct. One supplier we interviewed has a specific code of practice, while other suppliers have standards of conduct laid out in their contracts with individual brokers. Whatever form they take, these standards should require that TPIs:

- are transparent around commission and their market coverage;
- clearly explain the terms of the contract (including unit rate, length of contract, exit fees) and ensure that customers understand them;
- clearly explain the rights and responsibilities of microbusiness customers, particularly around areas such as debt and disconnection;
- clearly explain that customers are entering into verbal contracts, where this is the case;
- understand and are sensitive to potential vulnerability, and help identify it where possible;
- ensure good sub-broker conduct where relevant.

Implement robust audit regimes to monitor TPI behaviour

Clear standards of conduct for TPIs will only be effective when they are backed up by robust audit regimes. Some suppliers we spoke to have an independent audit team which sits separately from their sales team, to check that TPIs are compliant. Some suppliers use random audits and monitor and follow up any complaints concerning TPIs. Most suppliers we spoke to said that they require their TPIs to record at least some of their sales calls. We think that suppliers should require TPIs to record all sales calls, and to record the entirety of the call. These can be audited to check for any evidence of malpractice. The following case study outlines why it is essential to record the entire call.

Case study - consumer service - December 2019

The consumer contacted the consumer service on behalf of the directors of a pub. The consumer claims that the contract for the pub was mis-sold over the phone by an energy broker. The consumer claims that they did not agree to the contract. Although they have a copy of the call recording, the consumer says that it does not include the whole phone call. The consumer is now locked into a 3 year contract with the supplier. The consumer does not know who the broker was as it was a cold call.

Where TPIs are not adhering to a supplier's standards of conduct, then swift action should be taken. Some suppliers we interviewed have a probation period, where the TPI is subject to an enhanced audit process. There should be a clear process for terminating a contract with a TPI where poor practices persist. Many suppliers we spoke to pointed to specific times when they had ended a contract with a TPI for consistently failing to meet their standards of conduct.

Ensure consumers understand their supply contract

Several suppliers we spoke to said that they follow up with customers after a sales call with a TPI, to ensure that they understand the terms of their contract and their rights and responsibilities. If the customer is unclear about the terms or feels they were mis-sold, they should be offered the option to renegotiate the contract or exit without a termination fee. This can also be used as an opportunity to determine further information about occupancy, or whether there is any on-site vulnerability. These calls should also be recorded and audited.

Vulnerability

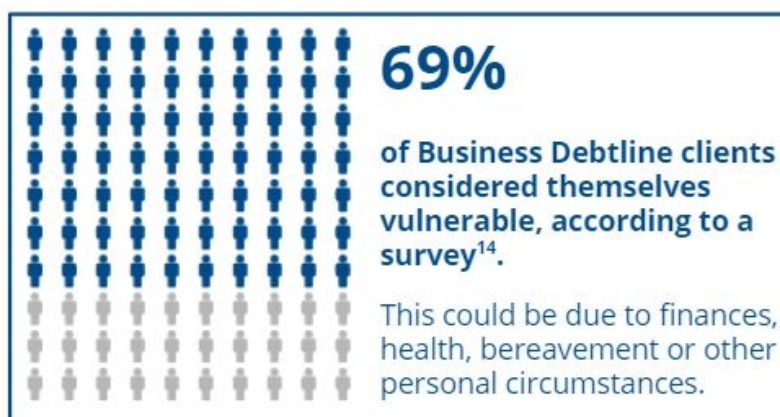
Vulnerability is transient and we know that people who run small businesses can easily enter into vulnerable circumstances.¹¹ Research has shown that reasons that people choose to be self-employed include difficulty in finding work or family commitments.¹² In these cases, there could be a higher probability of

¹¹ [Supporting Business Customers in Vulnerable Circumstances. Lending Standards Board and Money Advice Trust, 2019](#)

¹² [Supporting small businesses with energy debt. Money Advice Trust, 2018](#)

vulnerability. Additionally, in a mixed-use property, there is a risk that vulnerable consumers could be left off supply.

Vulnerability is more clearly understood in the domestic market, and protections for vulnerable consumers are better defined than in the non-domestic sector. This section outlines some areas to consider and highlights some examples of emerging good practice.



Implement effective signposting for vulnerable consumers

There are a wide variety of third party organisations who can help people in vulnerable circumstances. Some suppliers we spoke to said that their staff are trained to signpost vulnerable customers to specialist organisations. Citizens Advice's Good Practice Guide on referring vulnerable consumers, while primarily aimed at domestic suppliers, contains recommendations that may be helpful to non-domestic suppliers.¹⁴

Provide extra debt support and protection from disconnection

Where vulnerability is identified, suppliers should consider taking even greater care to avoid disconnection. Suppliers should follow all of the processes laid out in the debt and disconnection section of this guide.

This case study illustrates good practice from an energy supplier. Once vulnerability was identified the supplier took this into account and was flexible

¹³ [Taking care of business, Money Advice Trust and Business Debtline, 2018](#)

¹⁴ [How energy suppliers can signpost and refer vulnerable consumers to the right source of help, Citizens Advice, 2020](#)

when considering the customer's circumstances. Disconnection was avoided and the supplier and the customer set up a debt repayment plan.

Case Study - June 2018 - Extra Help Unit

The consumer contacted the Extra Help Unit for assistance after learning their energy supplier was planning to disconnect them due to arrears. They also disclosed that their energy debt was one of many. The consumer runs a pub and lives upstairs with her husband and two young children. Furthermore, her husband is registered disabled, receives disability living allowance and regularly spends time in hospital. The consumer was exceptionally upset when explaining her circumstances to the Extra Help Unit caseworker.

The consumer took over the village pub with a view to increasing trade but was unsuccessful. Although she has handed her notice to the brewery, the consumer continues to work and live in the property. The consumer does not dispute that the supplier is owed money. However, she would like the supplier to confirm that, given the circumstances, any threat of disconnection will be cancelled.

Outcome

Taking into account the on-site vulnerability, the energy supplier contacted the brewery. The brewery confirmed they would be soon taking back responsibility of the property. Once this was confirmed, disconnection action was immediately stopped. The consumer was then contacted by the supplier's credit management team to discuss payment plan options for the balance.

Conclusion

Across our interviews we encountered some excellent examples of how suppliers and others can support microbusiness consumers. Good practice is especially important in a non-domestic context, as microbusiness consumers have fewer protections than exist in the domestic market.¹⁵ While this remains the case, the responsibility is with suppliers to ensure that they take extra steps to support their customers. Ultimately, taking steps to protect microbusinesses also benefits suppliers, by ensuring that they remain in business and able to pay for their energy.

Good processes are essential to stop issues occurring or allow for early resolution. Accurate and timely billing can prevent debt from developing. Timely and accessible processes can prevent debt from becoming unmanageable. When working with TPIs, robust audit and enforcement regimes prevent

¹⁵ [Closing the protection gap. Citizens Advice. 2019](#)

mis-selling, stopping problems from developing further down the line. Although vulnerability is less clearly defined in the non-domestic sector, we have seen examples of emerging good processes across our interviews.

Good communication is key. Effective communication is simple and free of jargon, and is tested to ensure that it engages customers. Throughout the sales and onboarding process, both in conversations and written communication, suppliers must ensure that customers clearly understand their rights and responsibilities. Suppliers should also ensure that any TPIs they work with are doing the same. In cases of debt, suppliers need to use communication creatively to engage people so that they can act to address the problem.

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